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Report of the Standing Committee on Commodities on its fourth session

held at the Palais des Nations, Geneva,
from 30 October to 3 November 1995

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INTRODUCTION

1. The Standing Committee on Commodities held its fourth session at the Palais des Nations, Geneva, from 30 October to 3 November 1995. In the course of the session, the Standing Committee held six plenary meetings (13th-18th meetings) and a number of informal meetings.

Opening statements

2. The **Chairperson** said that the issue of commodities had been neglected in recent years, as the intergovernmental agenda had focused on other concerns. However, the fundamental problems raised by the heavy dependence of many developing countries on the production and export of commodities remained unsolved in a large number of these countries. The task of the Committee was to find solutions to these problems by focusing on the way the end-user, i.e. the Government or policy maker, could benefit from improved policies. In this context, the experience of a number of countries which had managed to overcome these problems should also be looked into. With regard to the three main items on the agenda, she welcomed the organization by the UNCTAD secretariat of a round table on producer-consumer cooperation with the participation of a dozen international commodity organizations, as well as the participation of guest speakers at the informal sessions on each of the substantive topics on the agenda.

3. She did not share in the general pessimism that was so pervasive in the commodity sector. She believed that the strong growth of developing countries in Asia and Latin America, the ongoing reforms in African and Eastern European countries, the additional income growth which should arise from the implementation of the Uruguay Round, and population increases should lead to a surge in commodity demand in the next two decades. She was also of the opinion that, given the increasing general concern over the sustainability of current consumption patterns, a substantial increase in the trade of environmentally preferable natural products was likely. Finally, she held out the hope that, if countries could put in place the necessary preconditions for efficient and responsive commodity production, then reliance on the commodity sector could be an effective springboard to sustained growth.

4. The **Deputy to the Secretary-General of UNCTAD** stressed the importance which the Secretary-General of UNCTAD attached to the issue of commodities as an absolutely vital area of international concern given the heavy dependence of the world's poorest countries on the production and export of commodities. While international concern for commodity problems had waned in recent years, the problems remained, compounding the danger of marginalization for commodity-dependent countries in the international division of labour. As one of these problems, he cited the level of commodity prices, which in real terms were at their lowest level in 90 years. The reasons for this were many. Although the demand factor had played a role, the supply factors had clearly predominated. The volume of commodity exports of industrialized countries and countries of South and South-East Asia had trebled in the past two decades and those of Latin America had more than doubled, while exports by Africa remained stagnant. Consequently, the real value of Africa's commodity export earnings had been reduced by half in the last two decades.

5. The Committee was the only forum where solutions to the problems of the world commodity economy could be sought, as well as the only forum in the international system which covered the whole gamut of commodities and their related problems. With regard to the area of producer-consumer cooperation, discussions with the executive heads/representatives of all relevant international commodity organizations were envisaged.

6. Finally, the Uruguay Round's Agreement on Agriculture was a major step forward, and for the first time this sector had been brought under the same rules as operated in other traded-goods sectors. UNCTAD was the only intergovernmental forum with broad membership where issues related to the complex and challenging area of the nexus between environmental costs and commodity prices were being actively discussed and debated. This type of dialogue should be pursued so that legitimate concerns could be fully debated and a consensus reached on new approaches which would enable developing countries to achieve the twin goals of economic growth and environmental protection. The secretariat was also increasingly being requested to ensure continuity of work in the area of mineral resources, following the demise of various intergovernmental bodies previously established outside UNCTAD.

7. The spokesman for the **African Group** (Kenya) said it should be underlined that many developing countries, especially in Africa, continued to depend on a few basic commodities for foreign exchange earnings, employment creation, and income generation. A viable commodity sector contributed significantly to good health and poverty alleviation in rural areas and could assist in curbing rural-urban migration. The African continent was aware of the need to reformulate macroeconomic, trade and investment policies in order to increase its participation in the processing, marketing, distribution and transportation of commodities. In this respect, he stressed the importance of both improved market access internationally and support for such policy measures by the international community.

8. With regard to the question of the examination of the manner in which prices of natural commodities and their synthetic competitors could reflect environmental costs, he noted that the concept of internalization was still not well understood and that, even to those policy makers who understood it, the fear of loss of competitiveness in international markets was real. Furthermore, the expectation that competing producers of the same or substitute commodities could cooperate so as to reflect environmental costs in commodity prices might be a bit too ambitious.

9. With regard to agenda item 4 and the study prepared by the secretariat, all the areas highlighted as requiring further action were of great interest to Africa, especially private barriers to trade stemming from restrictive practices, lack of access to technology on reasonable terms for developing countries and excessive brand advertising. Other problem areas which required additional efforts included improvement of market transparency, reduction of excessive price fluctuations, intensification of research and development, the possibility for developing countries to participate effectively in the revolution in the field of biotechnology and new materials, promotion of local processing and improvement of marketing systems and practices.

10. Some unfolding characteristics of the commodity sector were worth noting. The first had to do with the balance between producers and consumers, which was changing as a result of demographic and economic changes. The second was linked to the fact that the acceptance of liberalization and globalization had meant that the commodity sector was no longer a sector in which price regulation was managed through economic mechanisms. African countries were concerned that the abolition of their marketing boards had reduced their ability to deal with excessive price instability, which would continue to plague the commodity sector in the future. In order to monitor these and other developments, the secretariat's proposals for the development of a work programme on commodities in the post-UNCTAD IX period deserved their support. When discussing these proposals, there was a need to prioritize those areas that would realize immediate benefits for commodity-dependent developing and least developed countries.

11. Finally, he underscored the comments of the Secretary-General of UNCTAD to the press concerning the likely marginalization of commodity economies, especially in Africa, as a result of ongoing globalization and liberalization. He shared the Secretary-General's surprise with regard to those decision makers who dismissed commodities as a non-priority area of concern when addressing world development issues, and he welcomed the emphasis the Secretary-General of UNCTAD had placed on the commodity sector.

12. The representative of **Spain** speaking on behalf of the **European Union**, referring to agenda item 3, said that an understanding of such technically complex topics required a correspondingly high degree of expertise. More clarification was needed on the relationship between growth and internalization. The secretariat's report suggested that, in some instances, developing countries might be faced with a choice between implementation of internalization policies and economic growth. However, he considered that, without internalization of environmental costs and benefits, economic calculations, including calculations of growth, were incomplete, and the terms of the political choice between economic growth and internalization might thus sometimes be misunderstood. The concept of internalization also needed more theoretical clarification. While subsidizing the development and use of environmentally friendlier substitutes seemed a promising avenue of international cooperation, it could not be qualified as internalization, since society as a whole would bear the cost of the subsidy. A better solution would be to include internalized costs in prices. There was merit in the idea that, where producers could reach agreement on internalization of external environmental costs, importing countries could assist them by improving market access in order to make it possible to include these costs in prices. UNCTAD should focus on subjects which would require more empirical rather than theoretical research.

13. As regards agenda item 4 and UNCTAD projections of changes in trade revenues due to the impact of the Uruguay Round, he said that in the view of the European Union, it was unlikely that the so-called erosion of trade preferences due to the conclusion of the Round would destabilize ACP countries' export earnings. Studies had shown that countries did not benefit from preferences mainly because their industrialization was not sufficiently advanced to allow them to benefit from preferences on processed products. Commodities would remain the major source of foreign exchange earnings for ACP

countries. General trade liberalization resulting from the Round would in the long run be more helpful than preferential trade arrangements. However, the recent review of the Lomé Convention had resulted in increased preferential margins for a range of products. At the same time, diversification of developing countries' exports away from traditional commodities should be encouraged.

14. With reference to chapter IV of the secretariat's report on the impact of the Uruguay Round, the European Union agreed that efforts had to be made in those areas where substantial barriers remained, notably with regard to subsidies given to domestic production in developed market economies. Ideas for measures described in the chapter were generally welcomed but needed to be made more precise and concrete. A range of measures and efforts would be needed.

15. With regard to agenda item 6, the European Union believed that the secretariat's document gave a good overview of matters relating to the work programme and that relevant work on commodities should continue in UNCTAD. Both the forthcoming Trade and Development Board review and UNCTAD IX would provide occasions to consider the issue of the work programme. UNCTAD should continue to play a role in technical assistance through well formulated and targeted projects. The idea of creating a standing body on mineral resources would have to be seen in relation to UNCTAD's overall priorities and, while general issues might be considered regularly in UNCTAD, specific commodity issues might be addressed in the context of less formal expert groups.

16. The spokesman for the **Asian Group** (Philippines) said that, given the commitment of Asian developing countries to sustainable development and the importance of commodities in their economies in terms of foreign exchange earnings and government revenues, discussion under agenda item 3 was specially crucial. He warned that any decline in export earnings resulting from the internalization of environmental costs would be a serious if not devastating blow to the well-being and even survival of millions of people in the developing countries of Asia. While fully appreciating the importance of environmental protection and resource conservation, developing countries could not afford to bear the burden of environmental protection on their own. Surveys had shown that consumers were willing to pay higher prices to cover environmental protection, and environmental costs could be internalized successfully if producer-consumer cooperation, as well as cooperation among producers themselves, could be achieved. Developing countries could even benefit from the potential offered by their environmentally preferable products, and consequently implement sustainable development policies, if price-distorting subsidies were eliminated and if environmental costs were internalized in less environmentally friendly products. In this regard, he called for further examination of the issue, using both commodity-by-commodity and cross-commodity approaches, including the socio-economic impact of environmental policies. Given that the internalization of environmental costs in commodities had never before been discussed in any other international forums, he hoped that its consideration within UNCTAD would lead to international cooperation for sustainable development for all, especially commodity-producing developing countries.

17. Turning to agenda item 4, he reminded the Committee that, for the majority of Asian countries, international trade meant commodity exports. Commodities also remained important for countries that had diversified into manufactures, for the value added domestically for an agricultural or mineral commodity exported was generally higher than that for a manufactured product, which usually had a higher proportion of imported inputs. There was a need to arrest the decline in the share of developing countries in world commodity exports and to encourage diversification by developing countries as a desirable means for sustainable growth, and in that connection he expressed appreciation for the secretariat's analytical report on market access issues. While raising the Uruguay Round Agreement on Agriculture with its measures against domestic support and export subsidies, he pointed out that it had also resulted in the transformation of non-tariff barriers into high tariffs. In the year 2001, for example, sugar would still face a tariff of from 80 to 150 per cent in the principal developed markets. For agricultural products not covered by the Agreement on Agriculture, tariff escalation and tariff peaks would continue to play a significant role and negatively affect the diversification prospects of developing countries. International trade in tropical products had not been fully liberalized, despite commitments at Punta del Este. Other access issues not addressed under the Agreement on Agriculture included private barriers stemming from, inter alia, restrictive business practices, lack of access to technology, and the escalation for developing countries of freight rates and marketing costs with the degree of processing.

18. Conceding that trade liberalization was not a panacea for all the problems of commodity-dependent developing countries, he said that additional efforts were needed in related areas such as supply management and rationalization to reduce excessive price fluctuations, research and development in respect of new end uses, effective participation of developing countries in the revolution in the field of biotechnology and new materials, and improvement in marketing systems and practices. However, the issue of market access remained of primary importance and should be continually reviewed in conjunction with monitoring of the implementation of the Uruguay Round. In this regard, the UNCTAD secretariat could also play a pivotal role in assisting developing countries in identifying specific proposals relating to improved market access and transparency for commodities, particularly tropical products and natural-resource-based products.

19. The representative of the **United Republic of Tanzania** underscored the crucial importance of the commodity sector to the economies of African countries. Diversification, improved market access conditions and more effective producer-consumer cooperation were the most important strategic objectives in resolving commodity-related problems. The provision of adequate financial resources and technical assistance designed to improve physical infrastructure, the skill level of the labour force, export marketing support services and the investment climate were required. Donor countries were called upon to support the measures undertaken by the concerned developing countries themselves.

20. The Common Fund for Commodities could play a significant role in assisting commodity-producing developing countries, in particular in respect of diversification, through operations funded from its Second Account. He

expected that the major contributors to the Fund would agree to allow the resources of the First Account to be used to fund commodity-related activities such as the promotion of physical market development, the enhancement of market infrastructure and support services, etc. However, least developed countries (LDCs) should be permitted to use these funds as grants, rather than as loans, as was the case with funds from the Second Account. The Common Fund had to be maintained and strengthened, since there were no other commodity-specific funding mechanisms. Donors should also provide resources for the establishment of a diversification fund for Africa, as called for in General Assembly resolution 49/104 of 19 December 1994. In addition, multilateral organizations should give priority to financing diversification projects and programmes in African LDCs.

21. The revitalization of producer cooperation was crucial. Producers and consumers had come to realize that depressed prices discouraged production in the long run. It was therefore in their interest to support measures aimed at supply rationalization and ensure that remunerative prices were paid to producers. Recently developed techniques in the area of biotechnology could raise output in the production of food and commodities, which could be very useful for small farmers in the LDCs. However, these techniques had been used mainly in developed countries, which already suffered from overproduction, rather than in LDCs, which produced too little. In addition, in vitro production of basic food items and commodities could drive most traditional producers out of the market. The biotechnology revolution could cause a significant relocation of agricultural production out of the developing countries and worsen their already precarious economic situation. He urged UNCTAD to carry out an in-depth analysis of the negative impact of the biotechnology revolution, especially in terms of competition from new products, on the production of commodities in developing countries and to recommend a compensation mechanism. In the meantime, the international community should provide the resources and the technical assistance required to enable developing countries to acquire biotechnologies on favourable terms. Finally, he was pleased to note that measures concerning commodities would receive adequate focus in the deliberations of UNCTAD IX.

22. The representative of **Côte d'Ivoire**, referring to items 3 and 4, said that three considerations were of particular importance. First, notwithstanding the design and implementation of extremely costly diversification policies, many developing economies remained extremely fragile because of their dependence on revenues from commodities of agricultural or mineral origin. Second, the negotiations of GATT, including those of the Uruguay Round, had led to the liberalization of trade in primary commodities, without enhancing trade in processed commodities. This had led to enhanced protectionism in developed countries through tariff escalation, and the latter strongly compromised the diversification efforts undertaken by various developing countries. Third, developed countries had succeeded in considerably increasing their market share of commodities in total world trade, while both developing countries and economies in transition were confronted with a decline in their market share of world exports.

23. Even though the report of the secretariat concluded that the results of the Uruguay Round could have some positive impacts on trade in commodities, it should be borne in mind that these gains should be considered with caution, as

they were often based upon hypotheses and probabilities rather than effective results. More attention should therefore be given to commodity-related problems and the functioning of the worldwide commodity market on the occasion of the Africa-hosted UNCTAD IX. The current world market was characterized by an almost complete failure of international commodity agreements, a malfunctioning of the Common Fund for Commodities, and chronic instability of commodity prices. He therefore fully supported the statement for the press made by the Secretary-General of UNCTAD, in particular with regard to his comments on the crucial importance of commodities for the African continent.

24. The representative of **Switzerland** expressed the view that one of the main tasks of the Standing Committee was to provide a major input to the process of preparation for UNCTAD IX. The secretariat's documentation for the session provided a solid basis for the Committee's deliberations. Her delegation was pleased that high priority was attached to reducing the instability and risks facing commodity producers, and it endorsed future work in this field. It also agreed that promotion of commodity diversification was of central importance to developing countries. The problem might, however, be one of commodity dependence rather than of commodities as such, and a sectoral approach might be too limited in scope. A number of related elements were covered by UNCTAD, and UNCTAD should therefore be in a good position to make a valuable contribution. As regards efficient management of natural resources, her delegation had doubts as to whether UNCTAD provided the appropriate institutional framework for this important issue, and it would like to have a better understanding of what was being done by other relevant international organizations.

25. With regard to agenda item 3, since the quality of the environment had become an issue of great political concern, efficient solutions for the achievement of sustainable development had to be found. The implementation of internalization of environmental costs in the field of commodities might be difficult for commodity-dependent economies. The adoption of ecological production methods would not necessarily have an impact on prices. As to the question of how internalization of environmental costs might be best realized, measures could be taken at the multilateral, regional, national or producer level in order not to lose competitiveness. A possible solution could be the negotiation of new multilateral agreements on specific environmental standards for the production of commodities. At the national or producer level, diversification towards ecologically sound products could be achieved, since there was a tendency, especially in developed countries, for consumers to prefer products that were ecologically produced, even though more expensive.

26. As regards agenda item 4, her delegation agreed that the Uruguay Round represented an important step towards improving the situation of commodity-dependent economies, but efforts would have to be made in the future to reduce the commodity-related trade barriers of high tariffs and tariff escalation. Trade liberalization, however, did not provide a solution to all the problems confronting commodity-dependent developing countries. Additional measures were required to allow developing countries, particularly the least developed among them, to benefit from the new opportunities. Switzerland was providing different forms of technical assistance to developing countries in this context.

27. The representative of **Japan** said that commodity issues had played an important role in the economies of the developing countries, as well as a leading role in the work of UNCTAD. The current session should give an indication to UNCTAD IX on the future role of the Committee. Regarding agenda item 3, he stressed that each country should strive for sustainable development, and to that end it was of the utmost importance to establish a system of mutually supportive trade and environment policies and to create effective mechanisms for the internalization of environmental costs. Such internalization should not, however, induce protectionist measures. Regarding agenda item 4, it was too early for an assessment of the implications of the implementation of Uruguay Round agreements. International organizations such as UNCTAD should provide technical assistance to developing countries on issues related to the Uruguay Round agreements. Regarding agenda item 6, he welcomed the secretariat's work undertaken since UNCTAD VIII, in particular the new approach with regard to organizing expert group meetings with a view to preparing practically oriented material for the sessions of the Committee on Commodities.

28. The representative of **Bangladesh** said that UNCTAD IX would provide an opportunity to address critical issues in the areas of trade and development. Commodity problems had existed for many years, but no comprehensive approach had been found to solve them, the Common Fund for Commodities had not delivered the promised results, and the magic of the market had not worked in the case of commodities. Countries put the blame for commodity problems on over-supply, inelastic demand, cyclical factors, etc., but all they wanted was to ensure a supply of cheap commodities. For their part, the developing countries had not succeeded in coordinating their policies with a view to improving commodity prices. The so-called partnership for development had been side-tracked as far as commodities were concerned.

29. There was a strong pressure group seeking to reorient the work of UNCTAD, and the Secretary-General of UNCTAD had said that he would try to make UNCTAD more relevant. In that context, it must be asked how far UNCTAD's work had helped alleviate commodity problems. In order to make the work of UNCTAD more relevant in the area of commodities, UNCTAD IX could address a number of issues in the commodity sector: (a) reducing instability in commodity markets; (b) mobilization of resources for diversification; (c) ensuring greater market access for commodities; (d) provision of adequate compensation for shortfalls in commodity export earnings; (e) undertaking a cost benefit analysis of the integration of environmental aspects in the commodity sector.

30. The representative of **China**, referring to agenda item 3, said that the internalization of environmental costs was an important issue of practical relevance, in particular for developing countries. Increased trade and living standards, as well as economic development, should be achieved in conjunction with rational use of natural resources and enhanced care for the environment and the well-being of future generations. International trade and investment should be developed in a balanced way that took account of environmental concerns.

31. There were three issues of particular relevance. First, there was an urgent need for studies regarding the feasibility of internalization of environmental costs and for pilot projects based on the experience gained in

this field. He underlined the importance of identifying the impact of internalization measures on variables such as production, economic growth, employment and the elasticity of demand for commodities, while paying due attention to country-related conditions. Second, a distinction should be made between policy aspects and technical aspects. Problems such as implementing internalization measures without negatively affecting poverty alleviation should be studied in a policy context. Technical aspects, however, should be studied by experts. Third, as regards international cooperation, developed countries were often ahead of developing countries in many environment-related matters, and the production of commodities tended to adversely affect the environment in developing countries. Developed countries should therefore assume greater responsibilities in facilitating the transfer of technologies and financial resources to developing countries where poverty was an overriding issue. He concluded that the work of the secretariat on these issues deserved considerable support.

32. The representative of the **United Nations Food and Agriculture Organization** (FAO) said that the general thrust of the secretariat's report on agenda item 3 was similar to ideas discussed by the FAO's Committee on Commodity Problems (CCP), which had identified the following approaches: (1) product differentiation via labelling; (2) formation of groups of producers that would undertake environmental policy simultaneously and would pass on some of the costs to importers; and (3) subsidies by Governments to producers to avoid loss of competitiveness. Since the 1993 session of the CCP, FAO had concentrated its efforts on these three lines of activity. He also drew attention to the work of a number of FAO's intergovernmental commodity groups, as well as to a FAO manual on the economic assessment of production-related environmental impacts.

33. As regards agenda item 4, FAO had prepared a document which summarized its assessment of the impact of the Uruguay Round on the main commodities. According to FAO estimates, world agricultural trade in constant prices could be expected to rise by almost US$ 86 billion between 1987-89 and 2000, of which just under US$ 25 billion would be on account of the Uruguay Round. For the exports of the developing countries, the figures were almost US$ 41 billion and over US$ 8 billion respectively. He elaborated on the effects of the Uruguay Round on trade in a number of commodities and on the developing countries which would be most affected.

34. Concerning food-importing developing countries, FAO estimates pointed to a substantial increase in their food import bills due to a combination of higher prices and reduced trade on special terms. The assistance indicated under the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries would be of considerable importance, and FAO was continuing to support the early implementation of this Decision. FAO was also planning to expand its work on the Uruguay Round, with an extension of its commodity coverage to include fibres and fast-growing minor products of potential diversification interest, as well as on changes in tariff escalation for processed agricultural commodities.

35. The representative of **Mexico**, referring to agenda item 3, said that his country was interested in both protecting the environment and selling commodities at fair prices. The problem of internalization of environmental costs was a complex one which should be considered carefully in order to avoid an increase in commodity prices to the detriment of commodity producers, in particular the developing countries. He shared the view that a series of measures should be taken before making any decision on internalization and that cooperation among producers and between producers and consumers of specific commodities could play an important role. UNCTAD was the best possible forum to study in depth the possible implications of internalization of environment costs in commodity prices.

36. As regards agenda item 4, the results of the Uruguay Round were an important step forward in the liberalization of international trade, although a number of agricultural products of interest to developing countries were not covered by these agreements. Measures should be developed to ensure the stability of prices of these products, and UNCTAD should continue its examination of the impact of the Uruguay Round on development prospects.

37. The work of the Committee had contributed to developing the ability of developing countries to analyse the situation on international commodity markets and should be continued. He expressed support for the future work of the Committee, in particular in the areas of: (a) instability and risks facing commodity producers; (b) promotion of commodity diversification; and (c) efficient management of natural resources.

38. The representative of **Cuba** said that commodity prices had declined to a level which did not allow developing countries to secure enough export earnings to meet their basic needs, and UNCTAD constituted the proper forum for finding appropriate solutions in the commodity field. With regard to the internalization of environmental costs, developing countries needed effective financial support. Although the Uruguay Round agreement would have some positive general impact, the level of domestic support, export subsidies and tariff escalation which would continue to prevail in developed countries even after implementation of this agreement did not bode well for developing countries, which would continue to be negatively affected by protectionism and decreasing resources.

39. He supported the continuation of the work of UNCTAD in the field of commodities. In this context, he cited in particular analytical studies of relevant national experiences, the provision of technical assistance and the risk management programmes undertaken by the secretariat.

40. The representative of **Panama** said that the internalization of external costs in commodity prices had led to concerns on the part of developing countries as regards risk of loss of competitiveness and markets. Even though the process of internalization was considered to be crucial for reaching the objectives of sustainable development, this process included many risks and variables which needed to be clarified. He encouraged UNCTAD to work on the formulation of a strategy aimed at increasing cooperation among producers and consumers, reaching compromises at the governmental level and promoting the participation of other stakeholders such as private enterprises. As the Earth was the common property of everyone and as pollution was occurring on a global

scale, consumers must recognize their responsibility for and interest in saving the environment, and consequently should pay the necessary price, while producers needed to guarantee environmental cleanliness within their production chains, taking economic efficiency into account.

41. As regards item 4, even though the Uruguay Round offered several important advantages in the area of commodity trade, several serious constraints would remain in the short term, while a number of commodities were not adequately covered by the Round. With respect to agricultural products, account must be taken of the fact that the actual liberalization of trade as a result of the Uruguay Round could be less than expected, and that many developing countries were net food importers. Finally, he concluded that important items which needed more careful consideration by the Committee included the elaboration of strategies for diversification, the identification of new trading opportunities, and policy coordination and cooperation.

42. The representative of the **Islamic Republic of Iran** said that debates surrounding commodities had undergone substantive changes since the birth of UNCTAD, when the debates had centred round developing countries' concerns about declining commodity prices and the deterioration in the terms of trade of commodity-dependent countries. Since then, immense technological changes and new themes, such as management of natural resources and environmental considerations, had added further to the complexity of the debates and of the solutions to problems. The declining shares of developing countries in commodity markets, the weak linkages with consumers and the unavailability of trade instruments often left developing countries at a disadvantage with regard to adding value to their products. There was thus a need to strengthen market-related instruments and frameworks for the participation of micro-entities in the commodity area, and in that connection, the establishment of commodity exchanges in developing countries could prepare the ground for increased participation of enterprises. Technical assistance by the UNCTAD secretariat and concentration of its work on development-related commodity trade issues were needed. Commodity diversification was important not only for promoting exports but also for import substitution, especially in the case of foodstuffs and agricultural raw materials. Any gradual removal or reduction of tariff preferences for developing countries in the case of a number of commodities would increase their vulnerability as regards comparative advantages.

43. There had been much discussion on the internalization of environmental costs and, while such costs existed and must be borne by someone, there were major disparities in the environmental implications of the production, trade and consumption of the various commodities. Whether within national boundaries or globally, the cumulative long-term effects would be universal. Damage to the natural environment as a result of exploitation of natural resources should be factored into prices through proper multilateral negotiations and agreements, including multilateral trade dialogues.

44. Finally, document TD/B/C.1/29 discussed the use of synthetic substitutes without raising the issue of their adverse environmental effect and the problems of waste proposal. There were also traces of protectionist

tendencies in the debates, especially in reference to the introduction of a tax on energy consumption. More attention should therefore be given to problems of liberalizing the world commodity economy.

45. The representative of **China** said that, since UNCTAD VIII, the Standing Committee on Commodities had served as a forum for the consideration of important issues in the field of commodities and, with the assistance of the secretariat, it had done important work which had played a positive role in providing guidance to developing countries for the formulation of their respective commodity policies. Moreover, UNCTAD's inputs had contributed to the negotiation and implementation of the relevant commodity agreements in the Uruguay Round.

46. Though the Uruguay Round Agreements had improved the world trade environment and would promote commodity trading, developing countries were still facing considerable difficulties in their commodity exports, while the expected goals of reducing tariffs and non-tariff barriers were yet to be reached. He expressed the hope that developed countries would fulfil their commitments under the relevant Uruguay Round Agreements by taking effective measures with a view to redressing trade distortions and facilitating developing countries' participation in the world trading system.

47. As much remained to be done in the area of commodities, his delegation supported in principle the programme for future work contained in document TD/B/CN.1/31, especially with regard to market access, commodity diversification and technical assistance, and stressed the need to improve the situation in the area of producer/consumer cooperation, since cooperation projects proposed by producing countries had been obstructed in every possible way.

Chapter I

EXAMINATION OF THE MANNER IN WHICH PRICES OF NATURAL COMMODITIES AND THEIR SYNTHETIC COMPETITORS COULD REFLECT ENVIRONMENTAL COSTS, TAKING INTO ACCOUNT POLICIES RELATING TO THE USE AND MANAGEMENT OF NATURAL RESOURCES AND SUSTAINABLE DEVELOPMENT

(Agenda item 3)

48. For its consideration of this item, the Standing Committee had before it the following document:

> "Sustainable development and the possibilities for the reflection of environmental costs in prices" - report by the UNCTAD secretariat (TD/B/CN.1/29).

49. In addition, the Committee heard two guest speakers: Ms. Kathleen Anderson, Director of the Mining and Environment Institute, Centre for Resource Studies, Queen's University, Canada, who spoke about the possible applications of the sustainability concept to the mining industry; and Mr. Theodore Panayotou, Institute Fellow and Programme Director of the International Environment Programme of the Harvard Institute for International Development, United States of America, who addressed the issue of the interrelationship between internalization and competitiveness.

Action by the Standing Committee

50. At its 18th (closing) meeting, on 3 November 1995, the Standing Committee adopted its draft agreed conclusions. (For the text of the agreed conclusions, see annex I. For the proceedings of the closing plenary, see chap. VI below.)

Chapter II

ANALYSIS OF THE EVOLUTION OF PRICES AND TRADE OF COMMODITIES TO BE EXPECTED IN THE LIGHT OF THE RESULTS OF THE URUGUAY ROUND, WITH PARTICULAR EMPHASIS ON THEIR IMPLICATIONS FOR DEVELOPING COUNTRIES, INCLUDING THEIR DIVERSIFICATION PROSPECTS

(Agenda item 4)

51. For its consideration of this item, the Standing Committee had before it the following document:

> "The Uruguay Round and international commodity trade and prices" - report by the UNCTAD secretariat (TD/B/CN.1/30, and Add.1-2).

52. In addition, the Committee heard three guest-speakers: Mr. Richard Blackhurst, Director of the Research Division of the World Trade Organization (WTO), who gave an overview of the results of the Uruguay Round Agreement in the field of commodities; Mr. James Greenfield, Chief of the Commodity Policy and Projections Service of FAO, who presented the results of the projections undertaken by his organization on the impact of the Uruguay Round on agriculture; and Mr. Philip Crowson, Chief Economist of Rio Tinto Zinc (RTZ), who made a presentation on the long-term outlook for production, consumption and international trade in minerals and metals, in the light of the Uruguay Round agreements.

Action by the Standing Committee

53. At its 18th (closing) meeting, on 3 November 1995, the Standing Committee adopted its draft agreed conclusions. (For the text of the agreed conclusions, see annex I. For the proceedings of the closing plenary, see chap. VI below.)

Chapter III

REPORTS OF THE SUBSIDIARY ORGANS OF THE STANDING COMMITTEE

(Agenda item 5)

A. Report of the Intergovernmental Group of Experts on Tungsten on its third session

54. The **Chairperson** recalled that the Intergovernmental Group of Experts on Tungsten had adopted a decision (TD/B/CN.1/27, para. 25) remitting "to the fourth session of the Standing Committee on Commodities the determination of the date for the fourth session of the Group".

55. The representative of the **United States** said that, for reasons beyond the control of the UNCTAD secretariat, the Intergovernmental Group of Experts on Tungsten no longer performed its function of adding transparency to the tungsten market, and efforts to revive the Group had been unsuccessful. He suggested that the Group be suspended until such time as members felt it would be useful to resume its activities. If the Group could not be suspended or dissolved, his country would have great difficulty in agreeing to establish any further groups on commodities. Working groups on specific issues should be established only if there was adequate support for them, and their existence could be justified only as long as there was sufficient interest by members in the continuation of their activities.

56. The representative of **Canada** supported the views expressed by the representative of the United States. There had been a lack of interest on the part of a number of countries in the Group's work, and he believed that the Group should be suspended. If the Group was needed in the future, it could be reactivated. UNCTAD must show its willingness to change and adjust, and it must concentrate its limited resources on its main functions and priorities.

57. The representative of **China** said that his country had not participated in the third session of the Group, and it reserved its right to make further comments on the Group's report.

58. The representative of the **United Kingdom** fully endorsed the views expressed by the United States and Canada.

59. The representative of the **Netherlands** associated himself with the representatives of the United States and Canada, suggesting that any consideration of future activities of the Group be postponed until after UNCTAD IX.

60. The representative of **Japan** supported the views expressed by the representative of the United States.

61. The **Officer-in-charge of the Commodities Division**, responding to a question by the representative of **France** as to whether statistics on tungsten had been collected and disseminated as requested by the Group and as to the resources devoted to this activity by the secretariat, replied that statistics

had been collected and disseminated and a market review of tungsten had been completed (see paras. 74-75 below). One professional staff member had been engaged in the task.

Action by the Standing Committee

62. The Standing Committee took note of the report of the third session of the Intergovernmental Group of Experts on Tungsten (TD/B/CN.1/27-TD/B/CN.1/TUNGSTEN/11) and recommended to the Trade and Development Board that it suspend the activities of the Group until the Board could determine that there was adequate support to re-initiate it in the future. 1/

B. Reports of the Intergovernmental Group of Experts on Iron Ore on its third and fourth sessions

63. The **Vice-Chairman-cum-Rapporteur of the Intergovernmental Group of Experts on Iron Ore at its fourth session** provided the Standing Committee with an oral report on the fourth session of the Group of Experts. 2/ He emphasized that, as the Intergovernmental Group of Experts had become a well established event for the iron-ore business community, its sessions had been attracting a large number of experts from industry and trading companies involved in the iron ore international scene. In the course of its session, Government representatives, industry experts and iron ore companies had reaffirmed that the work of the Intergovernmental Group of Experts on Iron Ore was unique and extremely useful to producers and consumers, and they had expressed their support for such work. It had been recalled that the statistical work and the exchange of views that had taken place within the Group was an important contribution to increasing market transparency. Appreciation had been expressed for the quality of the work done by the UNCTAD secretariat, the timely collection and dissemination of statistics and the accurate assessment of the current market situation.

64. The representative of **Canada** expressed appreciation for the work of the Intergovernmental Group of Experts on Iron Ore and noted that his Government had made a contribution of $5,000 for its statistical activities, which was a concrete expression of its belief in the usefulness of the Group.

65. The representative of the **United States** said that industry and government officials agreed that the Group was effective and they supported the continuation of its activities.

66. The representative of **France** said that the Group was useful and involved relatively low costs. Consideration should be given to the possibility of reducing the duration of the Group's sessions from three to two days.

67. The representative of **Mexico** said that the future organization of UNCTAD's intergovernmental machinery was to be the subject of reviews by the Trade and Development Board.

Action in the Standing Committee

68. The Standing Committee took note of the report of the Intergovernmental Group of Experts on Iron Ore on its third session (TD/B/CN.1/21-TD/B/CN.1/IRON ORE/15) and of the oral report on the work of the Intergovernmental Group of Experts on Iron Ore on its fourth session.

Notes

1/ For statements made at the closing plenary in connection with the Intergovernmental Group of Experts on Tungsten, see chap. VI, paras. 80-82 below.

2/ The report of the Intergovernmental Group of Experts on its fourth session was not available for the session of the Standing Committee but was subsequently issued in document TD/B/CN.1/34-TD/B/CN.1/IRON ORE/20.

Chapter IV

REVIEW OF THE WORK PROGRAMME OF THE STANDING COMMITTEE WITH SPECIAL EMPHASIS ON THE PREPARATIONS FOR UNCTAD IX

(Agenda item 6)

69. Under this agenda item, the Standing Committee had before it the following documentation.

> "Review of the work programme of the Standing Committee, with special emphasis on the preparations for UNCTAD IX - Report by the UNCTAD secretariat" (TD/B/CN.1/31).

Action by the Standing Committee

70. At its 18th (closing) meeting, on 3 November 1995, the Standing Committee adopted its draft agreed conclusions. (For the text of the agreed conclusions, see annex I. For the proceedings of the closing plenary, see chapter VI below.)

Chapter V

OTHER BUSINESS

(Agenda item 7)

A. Report of the Ad Hoc Group of Experts on State Participation and Privatization in the Minerals Sector

71. The **Chairman of the Ad Hoc Group of Experts on State Participation and Privatization in the Minerals Sector** gave an oral report on the meeting of the Group, held from 26 to 27 October 1995. He praised the high standard of the discussions and of the presentations made by the experts, who had come from a wide range of countries with diverse experiences. Some experts had reported on privatization exercises already completed, others on why State participation remained a preferred option, and still others on privatization challenges that they currently faced. The subject and timing of the meeting were directly relevant to the problems facing many countries with significant minerals sectors, including an increasing number of developing countries. He stressed the need for the outcome of the meeting to be brought to the attention of all those concerned in capitals, and for appropriate follow-up activities.

72. The representative of **Argentina** said that in their privatization efforts, many countries needed technical assistance from the international community and from UNCTAD in particular.

Action by the Standing Committee

73. The Standing Committee took note of the oral report of the Chairman of the Ad Hoc Group of Experts on State Participation and Privatization in the Minerals Sector (see annex II).

B. Review of the current market situation and outlook for tungsten

74. A **representative of the UNCTAD secretariat** introduced the "Review of the current market situation and outlook" (TD/B/CN.1/TUNGSTEN/12), prepared by the secretariat in response to a request by the Intergovernmental Group of Experts on Tungsten at its third session "that the secretariat pursue its collection and dissemination of statistics on tungsten, and its review of the tungsten market" (TD/B/CN.1/27, para. 25).

Action by the Standing Committee

75. The Standing Committee took note of the report "Review of the current market situation and outlook" (TD/B/CN.1/TUNGSTEN/12) prepared by the secretariat.

Chapter VI

PROCEEDINGS OF THE CLOSING PLENARY

Agreed conclusions

76. At the closing plenary, on 3 November 1995, the **Chairperson** presented draft agreed conclusions that had been considered in informal meetings.

77. The representative of **Cuba** said that, in general, and in order to allow agreement to be reached, her delegation had accepted the draft agreed conclusions with the exception of the reference in paragraph 4 to "domestic policy reform". The term "domestic policy reform" was not appropriate, since it could lead to various interpretations which her delegation would not and could not accept. Her delegation considered that domestic policy reform, whether in the economic field or in any other field, was a matter for sovereign decisions of States taken in the light of national problems. Such reform was not, therefore, a matter for a general recommendation of the type before the Standing Committee.

78. The **Standing Committee** adopted its draft agreed conclusions (for the text of the agreed conclusions, see annex I).

79. It also expressed appreciation to the Executive Heads of international commodity bodies, the Managing Director of the Common Fund for Commodities and the representative of FAO who had attended the session and had presented their views on the medium-term outlook for commodities and on the future of producer-consumer cooperation on commodities, as well as to the experts who had assisted the Standing Committee in its deliberations.

Adoption of the report of the Standing Committee to the Trade and Development Board (agenda item 8)

80. The representative of **Portugal**, referring to the action taken with regard to the Intergovernmental Group of Experts on Tungsten, said that his country attached great importance to the work of UNCTAD on tungsten. The secretariat's activities in respect of the collection and dissemination of statistics on world tungsten consumption, production and trade, as well as the assessment of the situation and outlook on the tungsten market, had proved extremely useful. His delegation therefore welcomed the decision by the Intergovernmental Group of Experts on Tungsten at its third session requesting the secretariat to pursue its review of the tungsten market. Regarding the future activities of the Intergovernmental Group of Experts, which his delegation saw as an important forum for dialogue between consumers and producers and a good contribution to improved transparency and better understanding of the tungsten market, Portugal would strongly support the re-establishment of the Intergovernmental Group by the Trade and Development Board if and when a considerable level of interest was shown by delegations.

81. The representative of **China**, referring to the Intergovernmental Group of Experts on Tungsten, said that the work carried out by the UNCTAD secretariat over many years in preparing statistics and analyses on the tungsten market had played an important role in helping to increase knowledge in the tungsten

industry in many countries. It was therefore hoped that, although the work of the Intergovernmental Group of Experts had been suspended, the statistical and analytical work of the secretariat would be continued. Furthermore, his country agreed with Portugal that the Intergovernmental Group of Experts should resume its work as soon as conditions were ripe.

82. The representative of **Spain** said that his country supported what had been said by China and Portugal with regard to the Intergovernmental Group of Experts on Tungsten.

83. The **Standing Committee** adopted its draft report (TD/B/CN.1/L.10 and Add.1), with some oral amendments, and authorized the Rapporteur to complete the text of the report to reflect the proceedings of the closing plenary.

Closing statements

84. The representative of the **United States** said that his country was re-examining all aspects of its government at both the national and the international level, and that re-examination involved a fundamental reassessment of United Nations operations. The United Nations must make a positive difference in the real world, and the mere fact that an organization had existed was not in itself sufficient reason for its continued existence. His country's policies towards the deliberations of UNCTAD IX were still being formulated, and it was considering participation in a continuation of this intergovernmental dialogue on commodities if and only if it was demonstrably more effective. It would not consider any continuation of the status quo. The Standing Committee's debates had not had any effect in the real world of commodity producers and consumers, and the futility of the exercise had only sharpened frustration and anger among the participants. There was certainly no sense of cooperation or shared purpose. The United States welcomed reform of the Committee's deliberations, and acknowledged that there was a serious problem in the commodity sectors of many developing countries. Finally, the recent experience with an expert group meeting on risk management which had left developed country consumers and developing country producers satisfied could be repeated.

85. The spokesman for the **African Group** (Kenya) said the fact that the Standing Committee had recommended that work on commodity issues be continued after UNCTAD IX reflected not only the importance of the commodity sector, especially to the developing countries, but also the problems and challenges facing the sector. His Group was satisfied with the outcome of the Standing Committee's session.

86. The spokesman for the **Asian Group** (Philippines) said the substantive agreed conclusions adopted by the Standing Committee clearly affirmed the importance of the work of UNCTAD on commodities.

87. The representative of **China** said that the Standing Committee had basically completed the mandate given to it at UNCTAD VIII. However, many commodity problems were long term and complex, and new problems were emerging. It was therefore hoped that UNCTAD would continue its work in the field of commodities, in line with the Standing Committee's agreed conclusions.

Chapter VII

ORGANIZATIONAL MATTERS

A. Opening of the session

88. The fourth session of the Standing Committee on Commodities was opened on 30 October 1995 by Ms. L. Wiedmer (Switzerland), Chairperson of the Standing Committee at its third session.

B. Election of Officers

(Agenda item 1)

89. At its 14th (opening) plenary meeting, on 30 October 1995, the Standing Committee on Commodities elected its officers as follows:

Chairperson:	Mrs. S.B.A. Syahruddin	(Indonesia)
Vice-Chairpersons:	Mr. S. Sia Bi	(Côte d'Ivoire)
	Mr. J. Bonagas D.	(Panama)
	Mr. N. Ugurlu	(Turkey)
	Mr. I. Vencel	(Slovakia)
	Mr. J.J. Yambao	(Philippines)
Rapporteur:	Mr. Tang Yufeng	(China)

C. Adoption of the agenda and organization of work

(Agenda item 2)

90. At the same meeting, the Standing Committee adopted the provisional agenda as circulated in TD/B/CN.1/28. The agenda for the fourth session therefore read as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Examination of the manner in which prices of natural commodities and their synthetic competitors could reflect environmental costs, taking into account policies relating to the use and management of natural resources and sustainable development

4. Analysis of the evolution of prices and trade of commodities to be expected in the light of the results of the Uruguay Round, with particular emphasis on their implications for developing countries, including their diversification prospects

5. Reports of the subsidiary organs of the Standing Committee

6. Review of the work programme of the Standing Committee with special emphasis on the preparations for UNCTAD IX

7. Other business

8. Adoption of the report of the Standing Committee to the Trade and Development Board.

D. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 8)

91. At its 18th (closing) meeting, on 3 November 1995, the Standing Committee adopted its draft report (TD/B/CN.1/L.10 and Add.1), with some oral amendments, and authorized the Rapporteur to complete the text of the report to reflect the proceedings of the closing plenary. (For the proceedings of the closing plenary, see chap. VI.)

Annex I

AGREED CONCLUSIONS*

1. Sustained rapid economic growth in the dynamic developing economies is expected to generate increasing demand for a wide range of foodstuffs, agricultural raw materials, and mineral ores and metals. The opportunities and niches for commodity production and trade, consequent on such growth as well as on economic expansion from other sources, seem likely on balance to be enhanced in the longer term as the Uruguay Round Agreements are implemented.

2. The expected growth of world commodity demand in the foreseeable future is likely, however, to be accompanied by persisting traditional and newly emerging problems of the international commodity economy. These problems, including depressed prices, face commodity exporters, but especially developing countries and in particular the least developed countries (LDCs) among them which are heavily dependent on commodities for their export earnings, domestic employment and food production.

3. Export diversification, whether in the horizontal, diagonal or vertical direction, is well recognized as a key prerequisite if commodity-dependent developing economies are to succeed in moving towards sustainable development with higher growth and standards of living. There is a general consensus, in this connection, that expanded market access for developing countries' exports is one important, but not a sufficient, condition for durable expansion in their export earnings and gains in market shares.

4. Domestic policy reform and economic and technical cooperation from the international community, and among developing countries as well, are crucial if developing countries are to take full advantage of the available opportunities and niches in commodity production and trade. In this regard, emphasis was placed on the need to provide assistance to developing countries, and in particular LDCs.

5. The need for the implementation of the Marrakesh Ministerial decisions regarding the LDCs and net food-importing countries was stressed.

6. In order to achieve sustainable development it is important to take into account all relevant costs and benefits of economic activity. These include environmental costs and benefits. Their relative significance in the decision-making process would change from one country to another, depending on a variety of parameters, including social considerations and economic growth priorities.

7. It is important to eliminate existing distortions in the price system, in particular those caused by subsidies in commodity production, as a prerequisite for internalizing externalities. Moreover, there is a need to clarify, for the benefit of policy-makers, the concept of internalization and its significance for sustainable development. This would contribute both to implementation at the national level and advancing international dialogue.

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* See paras. 76-78 above.

8. Producer-consumer cooperation is an important element of commodity policy which needs to be pursued where feasible, taking into account the particular needs of developing countries and the characteristics of individual commodities. Such cooperation could be enhanced by taking market forces more fully into account; by involving both the private sector and industry experts as fully as possible; by enhancing research and development, especially regarding more efficient production technologies and new or improved varieties or products; and by promoting the consideration of environmental issues and sustainable development, including the promotion of measures which would enhance the environmental particularities of natural products.

9. The Standing Committee agreed that UNCTAD has an important role to play in the commodity area and that it should concentrate its future work on issues where it has expertise and competence in promoting sound, compatible and consistent policies with a view to achieving the improved functioning of the international commodity economy and an enhanced role of the developing countries in that economy. Special attention needs to be given to highly-commodity-dependent low-income countries and other weaker economies such as those in Africa, and in particular to the problems of LDCs, with a view to preventing their potential marginalization and enabling these countries to benefit fully from the capacities, and maximize the developmental impact, of their commodity sector.

10. The Standing Committee has carried out a valuable work programme and has served, in its four sessions, as a useful forum to deal with various commodity-related aspects of international trade and development. Its work would, however, have benefited significantly from an enhanced participation of experts from capitals and from the inclusion in delegations of industry experts and other representatives of the civil society.

11. The Standing Committee stressed that UNCTAD provides an appropriate forum for international discussions on the reflection of environmental costs and benefits in prices of products and on other modalities for internalization, including new approaches to international cooperation in this area. Work of a technical nature, however, could be carried out more fruitfully at the expert level.

12. The Standing Committee agreed that intergovernmental discussion and investigation of commodity issues to promote sound, compatible and consistent policies in the commodity field is both necessary and valuable, especially as these commodity issues affect the situation of particular commodities which dominate the economies of the least developed countries.

13. The commodity sector experiences a broad range of market conditions. Most of the commodities in developing countries, particularly the least developed among them, face depressed commodity prices. Other concerns include oversupply, market access difficulties for value-added products, the absence of appropriate technology, lack of capital resources, and the lack of a coordinated strategy to address these problems.

14. The Standing Committee agreed that UNCTAD should continue to address commodity issues after the ninth Conference. The "commodity problem" may be conceptualized in terms of the following four dimensions:

(a) Macroeconomic dimension:

(i) Commodity sector development and diversification and market stability are the foundation for durable economic growth and structural diversification;

(ii) Such development and diversification have to be sustainable.

(b) Sectoral dimension:

The task of initiating and effectively managing diversification to take full advantage of international opportunities and to meet challenges, and of promoting private enterprise participation in the process.

(c) Microeconomic dimension:

Commodity risk management mechanisms, the dissemination of market information and technologies for enhanced productivity, the generation of evolving entrepreneurship at all levels of the economy and the efficient functioning of commodity markets with a view to enhancing price stability and transparency.

(d) International dimension:

(i) Challenges: the integration of developing economies, increased global competition, resource constraints, and market access;

(ii) Opportunities: the implementation of the Uruguay Round, increased commodity demands from developed, developing and transitional economies, cooperation between donor and ODA recipient countries and between producers and consumers, and effective functioning of all international cooperation agreements on commodities.

15. Effectively meeting these challenges requires a three-pronged approach: research and analysis, policy dialogue, and technical and economic cooperation. Any future work by UNCTAD must more effectively address problems faced by commodity sectors. To that end, the Committee recommends the development of a work programme within the intergovernmental machinery which addresses commodity issues and proceeds only with the active support and participation of relevant government ministries and enterprises of member countries, and other concerned organizations.

Annex II

REPORT OF THE CHAIRMAN OF THE AD HOC EXPERT GROUP ON STATE PARTICIPATION AND PRIVATIZATION IN THE MINERALS SECTOR

1. The **Chairman of the Ad Hoc Expert Group** said that the meeting of the Group, on 26 and 27 October 1995, had attracted a group of very senior, very experienced, articulate, and well-prepared participants who were truly experts and who had brought to the meeting diverse and interesting experiences from a wide range of countries: Bolivia, Kazakhstan, Zambia, Brazil, Poland, Chile, India, Morocco, Papua New Guinea, Peru, South Africa and the Russian Federation. Some had reported on privatization exercises already completed, others on why State participation remained a preferred option, and still others on privatization challenges that they were currently facing. They had discussed their experiences with each other and with other experts drawn from the fields of law, management, environment and finance and, perhaps most important, with real practitioners in the mineral industry. It was evident that the subject and the timing of the meeting were directly relevant to the problems facing many countries with a significant mineral sector - which would seem to include an increasing number of developing countries.

2. When all Governments were looking to reduce their levels of expenditure - his own Ministry in Canada had had its budget reduced by 57 per cent over three years - and when well-known institutions were being abolished - one only needed to recall the fate of the respected United States Bureau of Mines - it was absolutely essential that UNCTAD's activities respond to real needs in real ways. A number of questions must therefore be answered in trying to develop an overall assessment of the Experts Group meeting: Were the experts expert? Yes. Were different stakeholder views represented in the room? Yes. Was the expertise relevant to the subject? Yes. Was the subject relevant to actual public policy and economic decisions being faced by member States? Yes. Was the audience appropriate to the subject and experts present? Yes. Nineteen member States were in the room. For the ongoing debate on State participation and privatization, their presence was entirely appropriate. On the other hand, others were not present when they could have benefited. Would the advice, information and experience represented at the meeting be shared with, understood by and acted upon by the different authorities responsible for privatization? Some of those authorities were in the room and showed every sign of having profited from their experience. On the other hand, it was the responsibility of those present in Geneva to ensure that the results, documentation and contacts made available at the meeting were passed on to capitals. On balance, it could not be said yet whether this criterium had been satisfied. If active steps were not taken to disseminate the results, the benefits of the meeting would be partly or even largely lost. And finally, did this activity take place in isolation, or was it part of a process that would take the process beyond the walls of UNCTAD? This was not discussed at the meeting, but the secretariat had indicated that indeed this activity was not seen in isolation and other activities were envisaged.

3. In conclusion, the secretariat had reason to be pleased with the initiative. Objectively, however, the meeting could not be called an outstanding success. It could more properly be called an outstanding beginning. Whether a future assessment would confirm this initial positive

judgement would depend on whether the policy insights discussed and personal contacts developed over the two days were used and built upon where it counted: in those States and capitals where the role of the State or the path to privatization were key public policy issues.

4. It had been difficult to reduce all the ideas and experiences presented at the meeting into just a few paragraphs; some important nuances were being lost, and some important ideas were perhaps being overlooked altogether. One important caveat: not all of the points reported on would be acceptable to all of the participants. Not all of the statements were necessarily applicable to every State or society. None of the experts had suggested that there was a single formula for privatization, only different approaches that worked best, or had the best potential for success, in different situations. That being said, the following points had emerged from the discussions and presentations of the Expert Group:

(a) State participation in the minerals sector has both a long history and, for some countries, a secure future. Where privatization is envisaged, the major challenge is to resolve the process in an economically efficient and socially equitable manner. In this regard, there is no one path to privatization;

(b) The Group of Experts, drawing on actual experiences, showed that there were compelling but differing reasons for the decisions taken or contemplated. In one case, minority equity participation was most appropriate even though it reduced the immediate financial benefits to the State. In another case, full State ownership is preferred in order not to divert from the private sector the immense amounts of capital required for the purchase of existing state assets; in this case, the decision was to allow the limited capital available to go towards the development of new deposits and the creation of new assets. In a third case, existing State assets are being "capitalized" in such a way as to capture more successfully for the State and society the full market value of State assets as opposed to the book value of the assets;

(c) Regardless of the ownership structure, the transparency of the objectives of the enterprise are of central importance, as are the competence and integrity of the manager or owner. Moreover, whatever the path to privatization or continued State participation, the successful exploitation of the mineral assets will depend very much on the existence of a good legislative, administrative and regulatory framework and clear and enforced labour, legal, and environmental regimes;

(d) Privatization should not be undertaken simply to make up a short-term deficit or to pay off external debt. The rationale for privatization must be based on long-term considerations, to benefit present and future generations; this is particularly important for non-renewable assets such as mineral deposits;

(e) Privatization is a complex and lengthy process. It must be seen in the context of the whole economy and include both macro- and micro-level considerations. It requires a dedicated, sustained commitment on the part of the State, supported and supplemented by professional advisors from different

disciplines and sectors of the economy. The process is best done openly and with public involvement. But the final decision and the responsibility for the process still rests with the Government;

(f) Local communities largely or entirely dependent on the mineral activity are stakeholders in the privatization process and they should be involved. A mechanism or process needs to be in place to ensure that local communities benefit from the mineral resource and this mechanism should include planning for the future of the communities after the resource has been exhausted. This is particularly important when the resource may make only a minor contribution to the State treasury but lies at the heart of the regional economy;

(g) Environmental liabilities will inevitably be viewed differently from country to country, depending on national priorities. In any privatization process, the emphasis should be placed on expectations for present and future environmental management and standards. Assessing environmental damage caused by past practices can consume time and resources to little or no productive end;

(h) When privatization is undertaken on an economy-wide basis and involves thousands of enterprises of every imaginable size, as is the case with the economies in transition, the process will inevitably differ from the case where a single entity is being privatized. However, the role of professional advice to support the political decision-making process and administrative implementation remains;

(i) Decisions regarding the role of the State, and the choices made concerning the degree and form of ownership, are ultimately political in nature. Because of this, and because there are economic and social consequences flowing from those decisions, there is almost always criticism and public debate surrounding every privatization or State participation decision. This is particularly true when the mineral asset in question is a central pillar of the national economy, or when it is the leading economic activity of a particular area. The political objective is nevertheless clear: it is to achieve the most economically efficient and most socially responsible exploitation and use of the natural resource base of the nation.

Annex III

Attendance 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Austria
Bangladesh
Brazil
Canada
China
Côte d'Ivoire
Cuba
Democratic People's Republic of Korea
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Germany
Greece
Honduras
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Italy
Kenya
Libyan Arab Jamahiriya
Mexico
Morocco
Myanmar
Nepal
Netherlands
Nigeria
Norway
Pakistan
Panama
Poland
Portugal
Russian Federation
Spain
Sweden
Switzerland
Thailand
Togo
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Viet Nam

2. The following other States members of UNCTAD were represented as observers at the session:

Cameroon
Costa Rica
Mauritius

3. The International Trade Centre UNCTAD/GATT was represented at the session.

1/ For the list of participants, see TD/B/CN.1/INF.5.

4. The following specialized agencies were represented at the session:

Food and Agriculture Organization of the United Nations
International Monetary Fund
United Nations Industrial Development Organization
The World Trade Organization was also represented.

5. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
European Community
International Cotton Advisory Committee
International Jute Organization
International Lead and Zinc Study Group
International Rubber Study Group
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category

International Federation of Agricultural Producers
Lutheran World Federation
World Federation of United Nations Associations

PANELLISTS

Mr. Edouard Kouame, Executive Director, International Cocoa Organization, London

Mr. Celsius Lodder, Executive Director, International Coffee Organization, London

Mr. Valentin Daniels, Secretary-General, International Copper Study Group, Lisbon

Mr. Lawrence H. Shaw, Executive Director, International Cotton Advisory Committee, Washington, D.C.

Mr. K.M. Rabbani, Executive Director, International Jute Organization, London

Mr. Rolf W. Boehnke, Secretary-General, International Lead and Zinc Study Group, London

M. Fausto Luchetti, Executive Director, International Olive Oil Council, Madrid

Mr. Pong Sono, Executive Director, International Natural Rubber Organization, Kuala Lumpur

Mr. P. Baron, Executive Director, International Sugar Organization, London

Mr. J. Greenfield, Director, Commodities and Trade Division, FAO, Rome

Mr. Budi Hartantyo, Managing Director, Common Fund for Commodities, Amsterdam

Annex IV

CHECKLIST OF DOCUMENTS

Symbol	Title
TD/B/CN.1/28	Provisional agenda and annotations
TD/B/CN.1/29	Sustainable development and the possibilities for the reflection of environmental costs in prices - report by the UNCTAD secretariat
TD/B/CN.1/30	The Uruguay Round and international commodity trade and prices - report by the UNCTAD secretariat
TD/B/CN.1/30/Add.1	Statistical annex
TD/B/CN.1/30/Add.2	Selected bibliography
TD/B/CN.1/31	Review of the work programme of the Standing Committee with special emphasis on the preparations for UNCTAD IX - report by the UNCTAD secretariat
TD/B/CN.1/TUNGSTEN/11	Report of the Intergovernmental Group of Experts on Tungsten on its third session
TD/B/CN.1/TUNGSTEN/12	Review of the current market situation and outlook
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